

AMENDED IN SENATE JUNE 19, 2000
AMENDED IN SENATE MARCH 22, 2000
AMENDED IN ASSEMBLY MAY 10, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1009

Introduced by Assembly Member Correa
(Principal coauthor: Senator Hughes)
(*Coauthor: Assembly Member Honda*)

February 25, 1999

An act to amend Sections 20178 and 21337 of, and to add Section 21337.1 to, the Government Code, relating to public employees' retirement, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1009, as amended, Correa. Public employees' retirement: ~~purchase~~ *purchasing* power protection.

Under existing law, the Board of Administration of the Public Employees' Retirement System is required to annually transfer specified amounts to a supplemental account to fund purchasing power protection for monthly allowances paid to all retirees, survivors, and beneficiaries of the system.

This bill would instead (1) establish separate supplemental accounts for state and school employers for those purposes ~~and~~, (2) require all monthly allowances paid to retirees, survivors, and beneficiaries of contracting agencies to be increased, annually commencing January 1, ~~2000~~ 2001, to 80%

of the purchasing power of their initial monthly allowances, as specified, (3) *provide a one-time purchasing power protection payment for the year 2000, as specified*, and (4) require the cost of those increases to be paid from employer assets in the system.

The bill would declare that it is to take effect immediately as an urgency statute *and shall be operative on July 1, 2000*.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 20178 of the Government Code
2 is amended to read:
3 20178. (a) The board shall credit all contributions of
4 members in the retirement fund with interest at an
5 interest crediting rate of 6 percent compounded at each
6 June 30. The retired member reserves in the retirement
7 fund shall be credited with the lesser of the current
8 actuarial interest rate or the current annual interest rate
9 compounded at each June 30. The interest amount that
10 would have been credited to the member's account on
11 and after June 30, 1991, had the account been credited
12 with the lesser of the current actuarial interest rate or the
13 current annual interest rate, rather than at the 6-percent
14 interest crediting rate, shall be credited to retired
15 member reserves.
16 (b) Notwithstanding subdivision (a), the difference
17 between the interest amount that was credited to the
18 account of any state or school member of this system who
19 was paid his or her accumulated contributions on or after
20 June 30, 1991, and the lesser of the current actuarial
21 interest rate or the current annual interest rate, shall be
22 transferred to the state or school account, as appropriate,
23 established by the board under Section 21337 to fund the
24 purchasing power protection allowance for retirees,
25 survivors, or beneficiaries of state or school employers.
26 (c) Notwithstanding subdivisions (a) and (b), if the
27 current net earnings rate for state or school members
28 exceeds the interest rate used to credit the retired

1 member accounts of state or school employers, in
2 addition to the amounts transferred to the separate
3 accounts established for state and school employers under
4 Section 21337, the remaining amounts shall be credited to
5 employer accounts.

6 (d) The current annual interest rate may be lower
7 than the current actuarial interest rate.

8 SEC. 2. Section 21337 of the Government Code is
9 amended to read:

10 21337. (a) On an annual basis, the board shall transfer
11 funds to *separate* supplemental state and school accounts,
12 to fund the purchasing power protection allowance of
13 retirees, survivors, and beneficiaries of state or school
14 employers, respectively. The amounts transferred shall
15 be the lesser of the following:

16 (1) The amount necessary to increase all monthly
17 allowances paid by this system to retirees, survivors, and
18 beneficiaries of state or school employers to 75 percent of
19 the purchasing power of the initial monthly allowances.

20 (2) 1.1 percent of the net earnings on state or school
21 member contributions, as determined by Section 20178.

22 (b) The funds transferred to the two *separate*
23 supplemental accounts shall be utilized to increase all
24 monthly allowances paid by this system to retirees,
25 survivors, and beneficiaries of state and school employers,
26 up to a maximum of 75 percent of the purchasing power,
27 as determined by the board, of the initial monthly
28 allowances, notwithstanding the benefit provided by
29 Section 21328, that were received by every retired state
30 or school member or survivor or beneficiary of a state or
31 school member or retiree who was eligible to receive any
32 allowance at the end of each fiscal year. Funds remaining
33 in the state or school account after the payment of
34 benefits under this section shall be transferred to the
35 respective state or school employer accounts.

36 SEC. 3. Section 21337.1 is added to the Government
37 Code, to read:

38 21337.1. (a) As of January 1, ~~2000~~ 2001, and annually
39 thereafter, all monthly allowances paid by the system to
40 retirees of contracting public agencies, and to survivors

1 and beneficiaries of members and retirees of those
2 agencies, shall be increased to 80 percent of the
3 purchasing power of the initial monthly allowance as
4 determined by the board.

5 (b) *Notwithstanding subdivision (a), retirees of*
6 *contracting public agencies, and survivors and*
7 *beneficiaries of members and retirees of those agencies,*
8 *who receive a monthly allowance payable by this system*
9 *shall also receive, on or after January 1, 2001, a one-time*
10 *lump-sum payment in an amount equal to the difference,*
11 *if any, between the purchasing power protection*
12 *allowance paid between January 1, 2000, and December*
13 *31, 2000, and the purchasing power protection allowance*
14 *that would have been payable if this section had been*
15 *operative during that period.*

16 (c) The cost of the increase in allowances paid
17 pursuant to ~~subdivision (a)~~ subdivisions (a) and (b) shall
18 be paid from the same assets of the employer used in the
19 determination of each employer contribution rate for
20 each membership classification under which service was
21 credited that affects the allowance calculation of the
22 retirees, survivors, or beneficiaries.

23 SEC. 4. *This act shall be operative on July 1, 2000.*

24 SEC. 5. This act is an urgency statute necessary for
25 the immediate preservation of the public peace, health,
26 or safety within the meaning of Article IV of the
27 Constitution and shall go into immediate effect. The facts
28 constituting the necessity are:

29 In order to limit the erosion of the purchasing power of
30 monthly allowances paid to retirees, survivors, and
31 beneficiaries of contracting agencies, it is necessary that
32 this act take effect immediately.